

Testimony of Tom Paul, PharmD
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The Committee on Energy and Commerce
Health Sub-Committee
March 1, 2006

Introduction

Thank you Chairman Deal, other distinguished Members of the Health Subcommittee and Honored Guests for the opportunity to testify before you at today's hearing about the implementation of the new Medicare Part D drug benefit.

My name is Tom Paul and I am Chief Pharmacy Officer, UnitedHealth Group/Ovations. Ovations is UnitedHealth Group's business that focuses on meeting the healthcare needs of the over-50 population – the very group of Americans who are the primary users of Medicare. Ovations and the other companies of UnitedHealth Group have extensive experience providing health care services to the federal government, state governments and private payers in many types of competitive environments.

Our company has a long-standing commitment to enhancing health care for older Americans and other Medicare beneficiaries. We are dedicated to helping them address needs for preventive and acute health care services, manage chronic conditions and respond to unique and often complex health and well-being issues. Through Ovations and the rest of our family of businesses, UnitedHealth Group provides the most comprehensive array of health and well-being services to these populations. We are a major provider of services through the traditional Medicare fee-for-service program, health plans, and demonstration projects for the frailest beneficiaries of Medicare. Together with PacifiCare, we are proud to be one of a handful of companies to offer Prescription Drug Plans in all 50 states.

Our participation in Medicare programs is fundamental to our core mission: to facilitate broad and direct access to affordable, high quality health care helping individuals, families, and communities to improve their health and well-being. Our commitment is therefore to the beneficiaries, the programs and the taxpayers who support them, rather than to a specific product offering.

With this in mind, we believe we can offer a valuable perspective on the new prescription drug benefit and appreciate the opportunity to testify before this Committee and to share our experience to date with its implementation.

Early Challenges

Medicare Part D is the most significant change in the Medicare program since its enactment more than 40 years ago. Implementing a program of such unprecedented size and scale is an enormous and ambitious endeavor – and as we all know, Part D has experienced some challenges in its early stages. We should note though that the Part D benefit is currently serving the majority of beneficiaries well. As the Centers for Medicare & Medicaid Services (CMS) has reported, Medicare Part D plans overall are now contributing to the well-being of more than 25 million beneficiaries as of February 22nd, including more than 5.3 million beneficiaries who have signed up individually for prescription drug coverage.

However, we are as concerned as all of you that the system has in some cases not worked well for all beneficiaries. This is especially true for a minority of low-income and dually eligible enrollees, largely due to unanticipated information gaps in the system. Information on eligibility was not available to pharmacies for certain duals and other low-income beneficiaries in the way it should have been. This was due to:

- Incomplete enrollment and eligibility information received by the health plans and delays in its transfer among CMS, health plans and pharmacies; and
- Late-month enrollments and switches from one plan to another by duals and other low-income beneficiaries leading to delays in posting eligibility information in the system.
 - For example, in the latter half of December, immediately prior to the January 1 program start date, we were receiving approximately 75,000 applications per day.

The resulting challenges in determining eligibility led to people not being found in the system or their temporary classification in a standard low-income coverage tier, making their initial co-payments higher than expected. It also resulted in an unanticipated surge in call volumes, creating delays in response to both consumers and pharmacists.

Responding to the Challenges

Since these challenges first came to light at the beginning of this year, our company has taken quick action on multiple fronts to help enrollees and pharmacists and resolve the situation, especially as it affects dual eligibles and other low-income individuals. We have

done, and are continuing to do everything we can to work with CMS, states, pharmacies, and other partners to help resolve outstanding enrollment and information technology system issues.

Parallel to this, Ovation has taken proactive steps to ensure as smooth a transition as possible for our enrollees and pharmacists – from making rapid improvements in call center operations and enhancing pharmacist support, to developing temporary solutions to meet the needs of low-income beneficiaries while longer-term problems are being resolved. Among the steps we have taken are the following:

- We acted quickly to ensure low-income and other beneficiaries would have immediate access to their Part D benefit regardless of whether they appeared immediately in the system, by:
 - Activating a beneficiary’s plan coverage by “assuming” or “deeming” an individual’s enrollment even before receiving confirmation of enrollment from CMS, where possible;
 - Assigning beneficiaries to a subsidized co-payment class even in advance of a CMS confirmation;
 - Implementing in coordination with CMS a temporary “first fill” and transition plan process that permits new enrollees access to Part D covered drugs on an expedited basis;
 - Making administrative adjustments, such as changing the medication supply window from 30 to 31 days to assist with claims processing from Long Term Care pharmacies serving institutionalized beneficiaries;
 - Conducting outreach to beneficiaries whose enrollment may not have been confirmed by CMS in time for the 1st of the month start date (e.g., because they enrolled or switched plans late in the month) and advising them on how best to access their benefits early in the month; and

- Lifting on a temporary basis prior authorization and step edit requirements on almost all medications in order to give pharmacists and enrollees ample time to adjust to their new Part D plans. We retained prior authorization on four drugs for which our Pharmacy & Therapeutics Committee has special safety concerns for older adults.
- As I said, at the end of December, Ovation was receiving approximately 75,000 applications a day, and enrollment remains strong, with thousands of applications continuing to come in each day.
- In order to meet the continued strong demand for our program and ensure high levels of service, we have increased our call center staff significantly.
 - We now have more than 3,600 employees deployed at our seven call centers and continue to increase personnel and improve performance in our call center operations so that issues can be resolved “real time.”
 - We immediately established a “hotline” with CMS in the first week of January for their case workers to escalate enrollee cases and are in constant communication with CMS to assist beneficiaries.
 - We also established a similar “hotline” for AARP.
 - Work is also underway to add two additional call centers to ensure continued high levels of service, with representatives in these call centers to be phased in over the next two to three months as they complete training.
 - I should note that our customer service representatives receive extensive ongoing training and daily updates highlighting important issues and how to resolve them.
- We also expeditiously took steps to ensure that the system works more efficiently for pharmacists:
 - We have more than doubled the number of representatives available to assist pharmacists since January 1st.

- We established a direct hotline for pharmacists to escalate and triage issues with enrollees, or finalize enrollment if there were application issues – all on the spot where feasible.
- We are providing up-to-date information and support to pharmacists participating in the program – if necessary, on a near-daily basis.
- Finally, we are working closely with CMS to identify and address information gaps and to facilitate reimbursement to states for Part D costs they have borne for low-income recipients.

On that last point, I want to express our deep appreciation for the steps being taken by the states to help address gaps in coverage for low-income beneficiaries. We are committed to seeing that the states are reimbursed in a fair and timely manner for prescription drugs covered by Medicare Part D.

The Results

I am pleased to report that through the coordinated efforts of many, the program is functioning much better today than in the early weeks of January. I am deeply encouraged by the stories I hear every day about people receiving prescription drug coverage for the first time and about seniors who are keeping more money in their pockets through the cost savings realized under their new Medicare Part D Plan. Simply put: the Part D program is delivering real savings to seniors.

At the same time, Part D coverage is providing seniors and others eligible for Medicare with a safety net in case they ever would need it. The knowledge that they will be protected if their situations change and their drugs costs rise offers Part D beneficiaries some peace of mind – a truly valuable benefit for older Americans and their families.

By all the data and enrollee accounts, UnitedHealth Group's Medicare Part D programs are working as intended for most recipients and we continue to see improvement across the board on a steady basis.

- Just two months into the program, we at UnitedHealth Group are proud to report that more than 4.5 million Medicare beneficiaries have enrolled in and are successfully using our stand-alone *and* Medicare Advantage Prescription Drug Plans.
 - About 40% are individuals dually eligible for Medicare and Medicaid (so-called “duals” or “dual eligibles”) and other low-income beneficiaries eligible for a full low-income subsidy.
 - This means, in turn, that approximately 60% of our enrollees are non-duals and voluntarily enrolled in programs offered by UnitedHealth Group.
 - Of our duals, nearly a quarter or 25% of these beneficiaries actively selected and enrolled in a Part D program offered by UnitedHealth Group.
- More than 8 million prescriptions are being filled on average through our plans on a monthly basis by duals and non-duals.
- Eligibility and enrollment issues at the pharmacy are no longer a significant issue, as demonstrated by the very low percentage of claims transactions not making it through the system due to eligibility or enrollment problems.
- Call volumes are down and call wait times are vastly improved for both beneficiaries and pharmacists since the start of the benefit and even since the beginning of February.
- Enrollment response times from CMS have improved considerably.
 - This means more and more beneficiaries are receiving their ID cards before their participation in the program begins.
 - It also means that even if a beneficiary forgets his or her card, complete billing information for their plan is available to pharmacists the first time the beneficiary visits the pharmacy.

These are very significant results, which underscore the fact that the Part D benefit is helping to make affordable prescription drug coverage available to millions of seniors and

disabled individuals, including those who previously would not have qualified for assistance through other federal or state programs.

How UnitedHealth Group Prepared for Part D

In preparing for the roll-out of Part D and in responding to the initial issues, we invested millions of dollars and hundreds of thousands of hours in technological upgrades, consumer outreach and education, enhanced pharmacist information and support, and expansion of and training in our call centers.

In the course of this preparation, we have been in constant communication and engaged in intense preparation with CMS, state governments, and members of our pharmacy network. As an example of this preparation, well before January, we engaged in a broad national educational campaign about Part D. The goal was to ensure that individuals eligible for the Part D benefit would understand their options and know how to access and make full use of the new prescription drug benefits available to them under Medicare.

As part of this effort, we developed an educational consumer booklet known as the *Show-Me Guide*. We published the *Show-Me Guide* in seven different languages (English, Spanish, Chinese, Russian, Vietnamese, Korean, and Tagalog) and distributed the *Guide* widely to consumers, providers, advocates, and governmental representatives at both the state and federal levels.

We conducted and participated in hundreds of community events nationwide to help people understand Part D. In doing so, we partnered with associations, AARP and other advocacy groups, community organizations, Members of Congress, state and federal agencies, retail pharmacies and employer customers. We developed specialized materials and seminars for low-income populations, pharmacists and doctors, as well as for constituents of organizations such as the National Kidney Foundation, American Association of Homes and Services for the Aging, National Association of Chain Drugstores and the National Hispanic Medical Association.

We also launched two educational websites:

- www.MedicareRxInfoSource.com, in July; and
- In November www.PartDCentral.com – to help families and caregivers of Medicare beneficiaries.

And in the months prior to the enrollment period we made our call centers available to anyone who wanted information about Part D.

In another example of our preparatory steps, drawing on our deep experience with the Medicare population and much additional analysis, Ovation's strove to ensure that our formulary was one of the broadest, most open and non-restrictive. Ovation's formulary as we developed it covers 100% of CMS' top 100 volume drugs without requiring prior authorization. It also is one of the few formularies to include all 178 Part D covered drugs that the Health and Human Services' Inspector General reports as most commonly used by dual eligibles. And, the Ovation's formulary contains just 39 drugs with prior authorization requirements and five with step therapy requirements. Again, as I said earlier we temporarily suspended these requirements for all but four drugs in order to give pharmacists and enrollees ample time to adjust to their new Part D plans.

Under strict guidelines of the Medicare Modernization Act, all plans must review prior authorization requests as expeditiously as the enrollee's health condition requires, but no later than 72 hours for standard requests. In the rare cases where not taking the drugs could be life-threatening or raise other clinical concerns, we developed a policy of dispensing a five-day supply to ensure patient safety. Consumers can also request an expedited review, which ensures that their claims are resolved within 24 hours. Ovation's practice has always been to only target drugs for prior authorization based on the drug's potential for inappropriate use, safety, cost, and other similar factors.

It's also worth mentioning that:

- We developed the Ovation's formulary based on years of experience with senior and complex populations. As a result, historical data suggests that only 0.2% of prescription claims are for drugs that would be subject to prior authorization on the Ovation's formulary. Similarly, only 0.5% of claims would be subject to a step therapy edit based on these historical data.
- Ovation's does not require prior authorization for common drugs such as those for Alzheimer's disease, and the list of drugs for which Ovation's requires prior authorization is well below the industry average.

All of this is important to understanding why, overall, those who enrolled in UnitedHealth Group's plans express a high degree of satisfaction. We are excited by the positive feedback we have been receiving from our enrollees and want to share some of that with you.

Ultimately, the new Medicare Prescription Drug Benefit is about more than any individual plan – it is about the people.

It is about people who, before Part D, had no access to affordable prescription drug coverage. It is about people like Fran Cooper from Bellvue, Nebraska who thought so little of Part D that she wasn't even going to enroll in a plan. In fact, she called our offices just to let us know how much she disliked Part D. We were able to show her how Part D could help her save on her prescription drug costs and make sure she was enrolled in time to begin realizing those savings on January 1st. And, like many of our members, we were able to guide her through some of the hurdles she encountered in the program's opening days.

It is about people like Sarah Blackwell from Auxvasse, Missouri who is now realizing significant savings on her prescription drug costs thanks to the subsidy Part D provides for beneficiaries with lower incomes.

And, it also is about people like Georgina Vigilance from Springfield, Virginia who values the peace of mind that Part D provides to her and her husband. They take only two prescriptions between them, but know that should their health change they will not have to worry that the prescriptions that could save their life will be out of their reach.

Still More to Do

Despite the start-up issues, there is a fair amount of good news to talk about with respect to the Part D program. However, our work to make the program succeed for all beneficiaries and, very importantly, to ensure that those who need it most are signing up is by no means finished. We are resolute in our commitment to help deliver on this promise for all beneficiaries.

To accomplish this we continue to collaborate with CMS to assist the Agency in resolving enrollment and eligibility data issues that are at the heart of the early Part D implementation challenges.

We are also working with pharmacies directly and through our industry trade associations to identify ways to make the transition to Part D easier for pharmacists. For example, as a group, we are currently looking at standardizing across all plans the electronic messaging pharmacists receive to address Part D-related administrative issues (e.g., when a drug is not covered – either because it is a Part D excluded drug or is covered under Medicare Part B).

While the bulk of the enrollment-oriented issues have been addressed – or are in the process of being addressed – we are working with states to ensure that any remaining issues relating to dual eligibles are resolved. We are placing a particular focus on ways to ensure a smooth transition of duals to Part D going forward as they become dually eligible and if and as they switch plans.

In addition, we are working with CMS, community organizations, associations and others to more effectively managed beneficiaries' expectations around enrollment and formulary. On this note, we appreciate the efforts of CMS and Members of Congress to

encourage Medicare beneficiaries to enroll early in the month and avoid late-month switches in order to ensure that their enrollment is completed by the 1st of the following month.

As CMS has intensified its educational outreach across the board, we at Ovations are redoubling our outreach efforts to low-income individuals to encourage them to apply for subsidies and to join a Part D plan. For example:

- We recently launched a new community grassroots outreach campaign in ten regions across the country to help educate, inform and enroll beneficiaries, especially low-income individuals.
- Our Evercare division, which serves the frail elderly, chronically ill and disabled, is conducting telephone call-in seminars for beneficiaries who find it hard to get around and busy adult caregivers. The first event will focus on Medicare Part D and give participants the opportunity to ask frank questions and gather unbiased information from a panel of representatives from local and national health organizations. It will be held on March 10th for participants in Boston and Worcester, Massachusetts and the Houston and Harris County areas in Texas.

We intend to expand these targeted beneficiary education efforts in the coming months and are working with CMS and community-based groups to do so. Since last summer, we have worked with members of the Congressional Black Caucus to reach out to Medicare beneficiaries in the communities they represent. We recently met with leaders of the CBC to discuss ways in which we can intensify this outreach. We also are following-up with those organizations who requested copies of the *Show-Me Guide* for their members, employees, clients or constituents to offer additional educational assistance. Ten million of those guides were distributed in the course of our education campaign.

We would encourage others to do the same. The importance of helping lower-income populations ineligible for Medicaid in particular understand the value of enrolling, of clarifying their misperceptions and questions and of removing barriers for them cannot be underestimated. There are an estimated six to eight million low-income people who should qualify for subsidies under Part D but are not eligible for Medicaid. These are people, who

likely have no prescription drug coverage and can, for the first time, save significantly over the retail price for their medication. As noted, almost half of Ovations' members are low-income individuals who may not have had any prescription drug coverage previously.

As we emphasize the importance of encouraging low-income individuals to apply for subsidies and enroll in Part D, we also want to recognize the important work State Health Insurance Assistance Programs (SHIPs) play in this regard. Consequently, we would encourage you to consider increasing the funding made available to support these organizations so that they can help ensure that beneficiaries – especially low-income individuals – are able to easily access the Part D program.

Conclusion

In conclusion, I would like to say that we believe the Medicare prescription drug program is working for the vast majority of beneficiaries. Enrollees in UnitedHealth Group/Ovation's Medicare Part D plans are realizing significant savings and report a high degree of satisfaction. And the program overall, as CMS has reported, is delivering access to medications for most beneficiaries and saving them millions of dollars as a group.

Clearly, we should and are doing all we can to ensure that Part D is working for all enrollees especially those for whom the transition to Part D has been difficult. At the same time, we should recognize that a great number of people are working assiduously to continue to improve Part D's implementation. Significant progress has been made on this front with CMS, states and health plans working to close the information gaps in the system that were at the heart of the program's early implementation challenges. I want to stress again that we continue to see improvements in the system. As a sign of these improvements, over the last half of February, we continued to see decreases in both call volumes and call wait times. Voluntary enrollment is up sharply – as CMS announced last week. And this is consistent with the trends at Ovations and UnitedHealth Group.

We are encouraged by this progress. We at Ovations and UnitedHealth Group are committed to working with you, CMS, the states, pharmacists and beneficiaries to address the current challenges and fulfill the promise of what is an ambitious and valuable program.

We hope that we can be a constructive force to that end and look forward to working with you in the weeks, months and years to come. We especially appreciate the Committee's leadership on this important matter and thank you for the opportunity to share our thoughts. I would be happy to answer any questions you might have for me.

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